

Agriculture's stake in WTO trade negotiations

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Madam Secretary, Ladies and Gentlemen:

First of all let me thank Secretary Veneman, and her predecessor, Dan Glickman, for inviting me to be here with you today for this important discussion. It is all the more important in view of the high priority the new Administration has placed on agriculture in its trade policy agenda. I can assure you agriculture also has a very high priority in the agenda of the World Trade Organization.

The negotiations that are under way in your sector in Geneva, together with those in services trade, cover the largest share of world economic activity and employment. They embrace the most traditional and the most innovative industries. In all these areas they will shape the international trading environment for years to come.

The agriculture negotiations (and, indeed, the services ones) are going well. Better than many predicted. So far, 36 negotiating proposals have been made, covering the whole range of specific issues. The most recent negotiating meetings saw a wealth of new proposals and steered us in a positive way towards the March stock-take. There can be no doubt that governments are intensively and seriously involved — two thirds of the WTO's 140 member governments have made proposals — and that this vitally important negotiation is making all the progress we could expect under the current conditions.

These last words — current conditions — are of course the catch. I think almost everyone involved accepts that however hard the negotiators work we are simply not going to get an optimal outcome from these negotiations unless we can relate them to a wider negotiating agenda — to a new Round.

The next stage of the negotiations is bound to be tougher, as political decisions are needed to narrow the wide gaps among positions. The arguments on the various sides of the agriculture talks may speak for themselves, but the political logic for most of the participants demands the possibility of broader tradeoffs.

I believe anyone who wants to see the agriculture negotiations produce the best possible result in a reasonable timeframe has a strong interest in seeing a new WTO Round launched soon. To be sure, this must be on a basis that all the WTO's diverse membership can accept. This requires flexibility and realism on all sides. It also calls for the vision and leadership the US has given to the trading system in the past. I am confident this leadership will be forthcoming again in the future.

It is difficult to overstate what is at stake here. For the United States farm community, the facts speak for themselves. The United States is the world's biggest exporter of agricultural products,

accounting for 12 percent of the total. This makes up 10 percent of total United States exports. Some three quarters of these exports are outside the NAFTA area — 40 percent destined for Asia alone. This is why a multilateral approach to agricultural negotiations is so important for the United States. For the United States and other export-oriented producers the negotiations could open up, on a secure and predictable basis, better access to the most dynamic food markets of the future, including the upper-income developing countries.

For other countries, including the poorest, the negotiations offer the possibility of improved growth through trade in products where they might have a competitive advantage if trading conditions were less distorted. This in turn will make it less attractive to grow illegal crops.

There are many other instances where the agriculture negotiations hold out the possibility of win/win results. For example, by cutting trade-distorting subsidies we can both lower prices to consumers and reduce the incentive to farm in a way that is unfriendly to the environment.

Of course, not everyone sees the possibilities and priorities in the same way. Some governments and their farm constituents feel the Uruguay Round promised benefits that have still not arrived. Others fear a further erosion of existing protection in terms of a threat to traditional values and lifestyles. And no-one should underestimate the reality of the concern for food safety, which is particularly acute in Europe at present but which is by no means only found there.

It is the task of the negotiators to find common ground among these competing priorities. My job is to facilitate the work of the negotiators. This includes calling on them to work hard to understand and show respect for the other side's point of view. In our efforts to find common ground, though, we are not starting from zero.

The Uruguay Round laid the foundations of a fair and market-oriented agricultural trading system. It set new rules on subsidies affecting agricultural production and trade, outlawed non-tariff barriers and began reducing trade-distorting domestic support, export subsidies and tariffs. The current negotiations are building on these good foundations.

Improvements in market access are a common feature in the negotiating proposals submitted by Members, although there are clearly differences in the levels of ambition, the approaches and the details. In one way or another, all aspects of market access are on the table. There are proposals for further reductions or eliminations of tariffs, tariff escalation and tariff peaks; improvements of access under tariff rate quotas and of the administration of tariff rate quotas; simplification of tariff regimes; new sectoral initiatives; the elimination of the special agricultural safeguard mechanism or changes in its provisions; strengthened disciplines on importing state-trading enterprises; and so forth. There is a broad constituency for an across the board approach covering all agricultural products, although such an approach is not shared by all Members. Special and differential treatment features in many proposals, including proposals of developed countries.

The existing disciplines in export subsidies were a significant achievement of the Uruguay Round, not least for exports of processed agricultural products. But there is still a lot of work to be done. Proposals on the table in Geneva range from unspecified further reductions in export subsidies to total elimination. Also under discussion are equivalent disciplines for the

subsidization of exports through export credits, through certain types of food-aid transactions and through certain practices of state-trading export enterprises.

Domestic support is another area where much work remains to be done. The Uruguay Round rules and commitments in this area are unique to the agriculture sector. In no other sector are there scheduled commitments to reduce trade-distorting domestic support, or commitments to keep support not covered by Green Box or other exceptions within certain levels.

The domestic-support commitments were designed to help lock in Members' domestic policy reforms and, over time, to induce a further "Green Shift" towards measures that are not, or only minimally, distortive of production and trade.

Many countries have made further progress in reforming their domestic agricultural policies. The United States is working on further reform in the context of a new Farm Bill. Some Members have so far made less progress. For all WTO members, the Uruguay Round agreements have shown the way towards setting domestic support policies in the context of a fair and market-oriented agricultural trading system. It is important we maintain that direction.

In all areas, the proposals so far on the table show important differences of position. That is normal and to be expected. It reflects the diversity of agricultural interests worldwide and the differing policy priorities of governments. All of them, though, have this in common; it is only through the global negotiating process in the WTO that their concerns — your concerns — can be addressed effectively.

Regional or bilateral trade agreements are no substitute. Very often they leave agriculture out as 'too hard'. And in any case they can't provide a consistent framework of enforceable rules and disciplines on subsidies or access across the board. Only the WTO system can do this.

Its scope and importance to your trade outlook will soon be greatly expanded with the accession of China to the WTO. Agriculture has been a tough issue in these negotiations, as it usually is. But the result, bringing China's vast market inside the rights and obligations of the multilateral system, is more than worth the effort.

We are starting the year, then, well placed to make real progress on the WTO agenda and on agriculture in particular. As I said at the start, the two are effectively inseparable. By the time WTO Ministers meet in Qatar in November, I am hopeful they will be in a position to agree on significant steps forward in the agriculture negotiation within a wider process. You can be sure I will do everything I can to help make this a reality. I hope I can count on your active support.

Thank you.